

UPPER CUMBERLAND
HUMAN RESOURCE AGENCY

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2017

CONTENTS

INTRODUCTORY SECTION -

Board of Directors	i
--------------------------	---

FINANCIAL SECTION -

<i>Independent Auditor's Report</i>	Page 1-2
---	----------

<i>Management's Discussion and Analysis</i>	3-7
---	-----

Basic Financial Statements -

Government-wide Financial Statements -

Statement of Net Position	8
---------------------------------	---

Statement of Activities.....	9
------------------------------	---

Fund Financial Statements -

Balance Sheet - Governmental Funds	10
--	----

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	11
--	----

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	12
---	----

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
---	----

Notes to Financial Statements	14-26
--	-------

REQUIRED SUPPLEMENTARY INFORMATION -

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	27
---	----

Schedule of Contributions	28
---------------------------------	----

Schedule of Funding Progress	29
------------------------------------	----

SUPPLEMENTAL SECTION -

Schedule of Indirect Costs	30
----------------------------------	----

Schedules of Expenditures of Federal and State Awards	31-35
---	-------

Schedule of Performance Based Financial Assistance	36
--	----

Notes to the Schedules of Expenditures of Federal and State Awards and Performance Based Financial Assistance	37
--	----

Schedule of Noncash Assistance	38
--------------------------------------	----

Notes to the Schedule of Noncash Assistance	39
---	----

COMPLIANCE AND INTERNAL CONTROL SECTION -

Independent Auditor's Reports on Compliance and on Internal Control.....	40-44
--	-------

Schedule of Audit Findings and Questioned Costs.....	45-47
--	-------

Schedule of Prior Year Audit Findings and Questioned Costs	48
--	----

Corrective Action Plan	49
------------------------------	----

INTRODUCTORY SECTION

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Luke Collins, Executive Director

2016 – 2017 BOARD OF DIRECTORS

Board Directors

Denny Wayne Robinson, White County – Chairman ~ Mickey Robinson, Van Buren County – Vice Chairman
Steve Jones, Macon County – Secretary ~ Curtis Hayes, Overton County - Treasurer

Executive Committee Members

Mike Gannon, Cannon County
Dale Reagan, Clay County
Kenneth Carey, Jr., Cumberland County
Tim Stribling, DeKalb County
J. Michael Cross, Fentress County
Bobby Kinnaird, Jackson County
Stephen Jones, Macon County
Ben Danner, Overton County
Richard Daniel, Pickett County
Randy Porter, Putnam County
Michael Nesbitt, Smith County
Greg Wilson, Van Buren County
Hershel Wells, Sr., Warren County
Denny Robinson, White County
State Senator Paul Bailey, Sparta

Mayor Andy Duggin, Woodbury
Mayor Willie Kerr, Celina
Mayor James Mayberry, Crossville
Mayor Jimmy Poss, Smithville
Mayor Darlene Davis, Jamestown
Mayor Lloyd Williams, Gainesboro
Mayor Richard Driver, Lafayette
Mayor Curtis Hayes, Livingston
Mayor Sam Gibson, Byrdstown
Mayor Ricky Shelton, Cookeville
Mayor Donnie Dennis, Carthage
Mayor Mickey Robinson, Spencer
Mayor Jimmy Haley, McMinnville
Marvin Lusk, McMinnville
Mayor Jeff Young, Sparta

Other Members of the Board of Directors

Cannon County

Mayor Roger Turney
Daryl Fisher

Jackson County

Frank Hardegree

Smith County

Mayor Jimmy Wheeler
Mayor Milton Gibbs
Bobby Peoples
Brian Denton

Clay County

Jane Miller

Macon County

Mayor Claude Fultz
Glynn H. Donoho

Van Buren County

Don Hollingsworth
Donald Woodlee

Cumberland County

Mayor Emmett Sherrill
Mayor Olivia Savage
Mike Phillips

Overton County

Pete Story

Warren County

Mayor Joel Akers
Mayor Sue Anderson
Mayor William Ramsey
David Woodlee

DeKalb County

Mayor Pam Redmon
Mayor Bennett Armstrong
Mayor Dwight Mathis
Billy Adcock

Pickett County

Tommy Aaron

White County

Mayor Ray Spivey
Cheryl Sullivan

Fentress County

Larry Moles
Linda Upchurch

Putnam County

Mayor John Martin
Mayor Scott Bilbrey
Mayor Bill Wiggins
David Mainord
Jack Stites

FINANCIAL SECTION



JOBE, HASTINGS & ASSOCIATES

Certified Public Accountants

745 SOUTH CHURCH STREET – BELMONT PARK
P.O. BOX 1175 MURFREESBORO, TN 37133-1175
(615) 893-7777 FAX: (615) 896-5990
www.jobehastings.com

James R. Jobe, CPA
Donna K. Hastings, CPA (*inactive*)
Joel H. Jobe (*1944 – 2006*)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Upper Cumberland Human Resource Agency

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Upper Cumberland Human Resource Agency, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Upper Cumberland Human Resource Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Upper Cumberland Human Resource Agency, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, certain pension information, and schedule of funding progress on pages 3 - 7, pages 27 - 28, and page 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Upper Cumberland Human Resource Agency's basic financial statements. The introductory section, schedule of indirect costs, and schedule of expenditures of state awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, schedule of performance based financial assistance, and schedule of noncash assistance are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of indirect costs, schedules of expenditures of federal and state awards, schedule of performance based financial assistance, and schedule of noncash assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of indirect costs, schedules of expenditures of federal and state awards, schedule of performance based financial assistance, and schedule of noncash assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017, on our consideration of the Upper Cumberland Human Resource Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Upper Cumberland Human Resource Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Upper Cumberland Human Resource Agency's internal control over financial reporting and compliance.

Jobe, Hastings & Associates

Certified Public Accountants

Murfreesboro, Tennessee
December 20, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Section of Upper Cumberland Human Resource Agency's annual financial report presents our discussion and analysis of the Agency's financial performance during the fiscal year that ended on June 30, 2017. The Agency's financial performance is discussed and analyzed within the context of the accompanying financial statements and notes following this section.

FINANCIAL HIGHLIGHTS

- The Agency's net position increased by \$937,023 (19.58%) from \$4,785,977 in 2016 to \$5,723,000 for 2017.
- The Agency's cash balance decreased by \$118,336 (14.69%) from \$805,721 in 2016 to \$687,385 in 2017. Receivables decreased by \$115,576 (2.90%) from \$3,988,307 in 2016 to \$3,872,731 in 2017. Inventories decreased by \$28,138 (6.03%) from \$466,277 in 2016 to \$438,142 in 2017. Pre-paid items decreased \$26,459 (18.26%) from \$144,874 in 2016 to \$118,415 in 2017.
- Total Current Assets increased by \$36,081 (.67%) from \$5,412,073 in 2016 to \$5,375,992 for 2017.
- The Agency reported an increase in reported revenues of \$872,186 (3.98%) from \$21,909,084 in 2016 to \$22,781,270 in 2017.

OVERVIEW OF FINANCIAL STATEMENTS

The Agency's annual report consists of a series of financial statements. These statements include government-wide financial statements, fund financial statements, and the related notes to these statements. The report also includes additional supplementary information for these statements. Government-wide statements present the Agency's overall financial activities as a whole. Fund financial statements provide more detailed information about specific Agency Funds.

Government-wide Financial Statements

The Agency's annual report includes two government-wide financial statements; the Statement of Net Position and the Statement of Activities. These statements report, on an accrual basis, all assets and liabilities and the changes in them. The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

The first of these government-wide financial statements is the Statement of Net Position. This is the Agency-wide statement of financial position presenting information that includes all of the Agency's assets and liabilities, deferred outflows of resources, and deferred in flows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency as a whole is improving or deteriorating. Evaluation of the overall health of the Agency would extend to other non-financial factors in addition to the financial information provided in this report.

The second government-wide financial statement is the Statement of Activities, which reports how the Agency's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when the cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Agency's distinct activities or functions on revenues provided by the Agency's local governments and grantors.

The Agency operates programs through federal, state, and local government grants. All revenues generated through these programs are from grants, contracts, and fees for services.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Agency uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Agency's funds rather than the Agency as a whole. The agency utilizes one governmental fund – a general fund- to account for all of its activities.

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Agency's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of the short-term financing decisions. Both the governmental funds balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to assist in understanding the differences between these two perspectives.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. They provide explanation of the financial statements and provide more detailed data.

Other Information

In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements.

Government-Wide Financial Analysis

Statement of Net Position – As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Agency's assets exceeded liabilities by \$5,723,000 at the close of the fiscal year ended June 30, 2017 and \$4,785,997 at the close of the fiscal year ended June 30, 2016.

<u>Governmental Activities</u>	Fiscal Year June 30, 2017		%	Fiscal Year June 30, 2016		%	Increase (Decrease)
Current and other assets	\$	5,375,992	66.13%	\$	5,851,018	73.86%	\$ (475,026)
Capital assets, net		<u>2,753,892</u>	<u>33.87%</u>		<u>2,070,746</u>	<u>26.14%</u>	<u>683,146</u>
Total assets		<u>8,129,884</u>	<u>100.00%</u>		<u>7,921,764</u>	<u>100.00%</u>	<u>208,120</u>
Total Deferred Outflows		<u>626,944</u>	<u>100.00%</u>		<u>377,734</u>	<u>100.00%</u>	<u>249,210</u>
Current and other liabilities		2,021,690	69.06%		1,984,743	59.25%	36,947
Long-term liabilities		<u>905,910</u>	<u>30.94%</u>		<u>1,364,891</u>	<u>40.75%</u>	<u>(458,981)</u>
Total liabilities		<u>2,927,600</u>	<u>100.00%</u>		<u>3,349,634</u>	<u>100.00%</u>	<u>(422,034)</u>
Total Deferred Inflows		<u>106,228</u>	<u>100.00%</u>		<u>163,867</u>	<u>100.00%</u>	<u>(57,639)</u>
Net position:							
Net Investment in Capital Assets		<u>2,753,892</u>	<u>48.12%</u>		<u>2,070,746</u>	<u>43.27%</u>	<u>683,146</u>
Restricted		2,321,737	40.57%		2,289,615	47.84%	32,122
Unrestricted net position		<u>647,371</u>	<u>11.31%</u>		<u>425,636</u>	<u>8.89%</u>	<u>221,735</u>
Total net position	\$	<u>5,723,000</u>	<u>100.00%</u>	\$	<u>4,785,997</u>	<u>100.00%</u>	\$ <u>937,003</u>

Net investment in capital assets represents net assets used to acquire those assets and 48.12% of total net position. Unrestricted net position comprises 11.31% of total net position.

Statement of Activities – The following table indicates the individual program changes in net position for the government activities for the fiscal years ended June 30, 2017 and June 30, 2016:

	Fiscal Year Ended June 30, 2017			Fiscal Year Ended June 30, 2016		
	Expenses	Revenues	Increase (Decrease) Net Position	Expenses	Revenues	Increase (Decrease) Net Position
Governmental Activities :						
Agency operations and administration	\$ 533,803	\$ 504,611	\$ (29,192)	\$ 891,855	\$ 674,634	\$ (217,221)
LIHEAP	3,030,758	3,035,829	5,071	3,119,712	3,127,977	8,265
Transportation	6,252,033	7,045,298	793,265	6,101,395	6,601,102	499,707
WIA	2,001,750	2,009,447	7,697	1,729,821	1,699,226	(30,595)
Nutrition	2,044,340	1,707,136	(337,204)	1,895,162	1,794,431	(100,731)
Residential	2,076,697	2,245,259	168,562	2,097,214	2,236,837	139,623
Other community service	5,167,319	5,168,762	1,443	4,549,239	4,642,904	93,665
Commodities	737,567	691,262	(46,305)	526,162	594,891	68,729
Total governmental activities	<u>21,844,267</u>	<u>\$ 22,407,604</u>	<u>563,337</u>	<u>20,910,560</u>	<u>\$ 21,372,002.00</u>	<u>461,442</u>
Business-type activities - Lakeside				412,512	190,951	(221,561)
	<u>21,844,267</u>	<u>22,407,604</u>		<u>21,323,072</u>	<u>21,562,953.00</u>	
General Revenues :						
Grants and contributions not restricted to specific programs			361,713			337,012
Interest			6,015			9,119
Gain on sale of fixed assets			5,938			(366,322)
Transfer from governmental fund						(966,955)
Transfer to enterprise fund						966,955
Total general revenues			<u>373,666</u>			<u>(20,191)</u>
Change in net position			937,003			219,690
Net position-beginning			<u>4,785,997</u>			<u>4,566,307</u>
Net position - ending			<u>\$ 5,723,000</u>			<u>4,785,997</u>

Governmental activities are supported by charges for services and grants/contributions. Additionally general revenues cover any net expenses after program specific revenues are applied.

Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the Agency as a whole.

Since the Upper Cumberland Human Resource Agency continues to derive the vast majority of its funding from the State and Federal governments, and those funds appear to be stable at the present time, the overall financial outlook of the Agency can be characterized as “good.” Despite that fact, the Agency continues to seek and implement cost control measures as funding from those sources does not always increase on an annual basis in keeping up with the rate of inflation (i.e., labor, employee benefit, and other operating costs).

Financial Analysis of the Agency's Funds

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term inflow and outflow of expendable resources focus. This information is useful in assessing resources available at year-end in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$3,601,832. Of this year-end total, \$362,544 is unassigned, indicating availability for continuing Agency requirements. The remaining fund balance is comprised of \$1,966,090 is restricted for Transportation, \$20,450 restricted for CASA, \$20,082 restricted for Energy assistance, \$1,896 restricted to Community Service program, \$53,900 restricted to transportation vehicle purchase, \$671,478 assigned to the retiree account, \$2,735 assigned to the flower fund, and \$502,657 in non-spendable.

Capital Assets and Debt Administration

Capital Assets

The Agency's capital assets \$7,889,944 net of accumulated depreciation (\$5,136,052) amounted to \$2,753,892 as compared to \$2,070,746 (net of depreciation) at June 30, 2016. There were capital outlays of \$1,361,679 and deletions of \$716,012 during the period ending June 30, 2017. Depreciation in the current period was \$646,965.

Debt Administration

There were no additions to capital leases, There was no increase in debt and a debt reduction of \$166,289 which resulted in an ending balance \$494,341.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Upper Cumberland Human Resource Agency contracts primarily with agencies with the State of Tennessee and managed care organizations(MCO); therefore they are not directly affected by macroeconomic factors. However, the state, federal and local governments and managed care organizations are affected by these factors, indirectly affecting our agency's grant and operating budgets. These effects can be positive or negative due to the economic environment. The Agency does not expect a sufficient change in transportation revenues as new MCO contracts commence in January 2017. The Agency will continue to be cautious and efficient with controlling costs to assure it remains within its budgetary spending limits on a grant by grant basis.

Contacting the Agency's Financial Management

This financial report is designed to provide a general overview of the Agency's finances, comply with finance-related laws and regulations and demonstrate the Agency's commitment to public accountability. If you have any questions about this report or would like additional information, contact the Agency's Executive Director at 580 South Jefferson Avenue, Suite B, Cookeville, TN 38501.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Statement of Net Position

June 30, 2017

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash	\$ 687,385
Receivables	3,872,731
Prepaid items	64,515
Deposits	53,900
Inventories	438,142
Net pension asset	259,319
Capital assets -	
Land and construction in progress	497,100
Other capital assets, net of depreciation	<u>2,256,792</u>
Total Assets	\$ <u>8,129,884</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows related to pension plan	\$ <u>626,944</u>
Total Deferred Outflows of Resources	\$ <u>626,944</u>
<u>LIABILITIES</u>	
Line of credit	\$ 562,917
Accounts payable	351,190
Due to grantors	13,703
Accrued liabilities	580,908
Unearned revenue	2,353
Assets held for others	3,770
Long-term liabilities -	
Due within one year	506,849
Due in more than one year	<u>905,910</u>
Total Liabilities	\$ <u>2,927,600</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred inflows related to pension plan	\$ <u>106,228</u>
Total Deferred Inflows of Resources	\$ <u>106,228</u>
<u>NET POSITION</u>	
Net investment in capital assets	\$ 2,753,892
Restricted for -	
Pensions	259,319
Transportation programs	1,966,090
Vehicle purchase	53,900
CASA programs	20,450
Energy programs	20,082
Community service programs	1,896
Unrestricted	<u>647,371</u>
Total Net Position	\$ <u><u>5,723,000</u></u>

See notes to financial statements.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Statement of Activities

Year Ended June 30, 2017

Functions/Programs			Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Governmental Activities	Total
	Direct	Indirect					
Governmental activities -							
Local programs and administration	\$ 2,369,220	\$ (1,835,417)	\$ 504,611			\$ (29,192)	\$ (29,192)
LIHEAP programs	2,962,266	68,492		\$ 3,035,829		5,071	5,071
Transportation programs	5,552,286	699,747	1,850,633	4,415,504	\$ 779,161	793,265	793,265
WIOA programs	1,823,670	178,080		2,009,447		7,697	7,697
Nutrition programs	1,872,898	171,442	499,406	1,207,730		(337,204)	(337,204)
Residential programs	1,820,009	256,688	2,090,684	154,575		168,562	168,562
Other community services programs	4,706,351	460,968	34,999	5,133,763		1,443	1,443
Commodities	737,567			691,262		(46,305)	(46,305)
Total governmental activities	\$ <u>21,844,267</u>	\$ <u>- 0 -</u>	\$ <u>4,980,333</u>	\$ <u>16,648,110</u>	\$ <u>779,161</u>	\$ <u>563,337</u>	\$ <u>563,337</u>
Total primary government	\$ <u>21,844,267</u>	\$ <u>- 0 -</u>	\$ <u>4,980,333</u>	\$ <u>16,648,110</u>	\$ <u>779,161</u>	\$ <u>563,337</u>	\$ <u>563,337</u>
General Revenues -							
Grants and contributions not restricted to specific programs						\$ 361,713	\$ 361,713
Interest						6,015	6,015
Gain (loss) on sale of fixed assets						5,938	5,938
Total general revenues and transfers						\$ <u>373,666</u>	\$ <u>373,666</u>
Change in net position						\$ 937,003	\$ 937,003
Net position - beginning, as previously reported						4,785,997	4,785,997
Net position - ending						\$ <u>5,723,000</u>	\$ <u>5,723,000</u>

See notes to financial statements.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Balance Sheet
Governmental Funds

June 30, 2017

		<u>General</u> <u>Fund</u>
 <u>ASSETS</u>		
Cash	\$	687,385
Due from grantors		3,548,510
Other receivables		324,221
Prepaid items		64,515
Deposits		53,900
Inventories		438,142
Total Assets	\$	<u>5,116,673</u>
 <u>LIABILITIES</u>		
Line of credit	\$	562,917
Accounts payable		351,190
Accrued liabilities		580,908
Unearned revenue		2,353
Assets held for others		3,770
Due to grantors		13,703
Total Liabilities	\$	<u>1,514,841</u>
 <u>FUND BALANCES</u>		
Nonspendable -		
Inventory	\$	438,142
Prepaid items		64,515
Restricted for -		
Transportation programs		1,966,090
Vehicle purchase		53,900
CASA programs		20,450
Energy programs		20,082
Community service programs		1,896
Assigned to -		
Flower fund		2,735
Retiree account		671,478
Unassigned		362,544
Total Fund Balances	\$	<u>3,601,832</u>
Total Liabilities and Fund Balances	\$	<u>5,116,673</u>

See notes to financial statements.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

**Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities**

June 30, 2017

Total Governmental Fund Balances	\$ 3,601,832
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,753,892
Net pension assets are not available for current-period expenditures and, therefore, are not reported in the funds.	259,319
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:	
Deferred outflows of resources related to pensions	626,944
Deferred inflows of resources related to pensions	(106,228)
Long-term liabilities, including loans payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Notes payable	(494,341)
Compensated absences	(541,504)
OPEB obligation	(376,914)
Net Position of Governmental Activities	<u>\$ 5,723,000</u>

See notes to financial statements.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2017

	<u>General Fund</u>
Revenues-	
Grantor contributions	\$ 16,148,356
Fees for service	2,009,401
Contract revenue	2,627,572
State and local contributions	724,280
Commodities received	691,262
Performance based revenue	142,010
Program income	343,360
Interest revenue	6,015
Total Revenues	\$ <u>22,692,256</u>
Expenditures-	
Current -	
LIHEAP programs	\$ 3,036,802
Transportation programs	5,756,259
WIOA programs	2,015,812
Nutrition programs	2,035,591
Residential programs	2,038,010
Commodities	737,567
Local programs	565,564
Other community services programs	5,168,294
Capital outlay	1,278,604
Debt service -	
Principal	166,289
Interest	34,773
Total Expenditures	\$ <u>22,833,565</u>
Excess of Revenues over Expenditures	\$ <u>(141,309)</u>
Other Financing Sources (Uses) -	
Proceeds from sale of fixed assets	\$ <u>37,507</u>
Total Other Financing Sources (Uses)	\$ <u>37,507</u>
Net change in Fund Balances	\$ (103,802)
Fund Balances at beginning of year	<u>3,705,634</u>
Fund Balances at end of year	\$ <u><u>3,601,832</u></u>

See notes to financial statements.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the Statement of Activities**

For the Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds	\$ (103,802)
--	--------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	1,278,604
Depreciation expense	(646,965)
Lease purchase payments made prior to execution of the purchase option which were applied toward the purchase of a building were recorded as expenditures.	83,076

The net effect of various transactions involving capital assets (i.e. sales and trade-ins) is to decrease net position:

Net book value of assets sold	(31,569)
-------------------------------	----------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position:

Repayment of note payable	166,289
---------------------------	---------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Pension expense	(172,897)
Compensated absences	107,209
OPEB obligation	(43,062)

Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of the pension obligations are actuarial determined.

Pension contributions made in fiscal year ended June 30, 2017	300,120
---	---------

Change in Net Position of Governmental Activities	\$ <u><u>937,003</u></u>
---	--------------------------

See notes to financial statements.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Notes to Financial Statements

June 30, 2017

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Upper Cumberland Human Resource Agency (Agency) was established in 1973 in accordance with Title 13, Chapter 26, as amended, of Tennessee Code Annotated. This legislation provides a regional system to deliver human resource agency programs in the state's counties and cities. It is governed by a member governing board and a member policy council. The board consists of the county executives and mayors within the area served by the agency, one state senator and one state representative whose districts lie wholly or in part within the area served by the agency, and members appointed by the county executives - one from each county served by the agency. The policy council consists of two representatives from each county served and two legislators. For financial reporting purposes, the Upper Cumberland Human Resource Agency includes all fund types and account groups over which the Board of Directors is financially accountable.

The accounting and reporting policies of the Agency relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles (GAAP) for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The GASB periodically updates its codification of the existing Standards, which, along with the subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant accounting policies of the Agency are described below.

The Agency, for financial purposes, includes all the funds relevant to the operations of the Upper Cumberland Human Resource Agency (the primary government). The Agency is also required to include in its financial statements those separately administered organizations (component units) with which the Agency has significant operational or financial relationships. The criteria for including organizations as component units within the Agency's reporting entity include whether the organization is legally separate and whether the Agency holds the corporate powers, whether the Agency appoints a majority of the organization's board and is able to impose its will, and the ability of the organization to impose a financial benefit or burden on the Agency. Based on the foregoing criteria, the Upper Cumberland Human Resource Agency has no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by assessments and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Indirect expenses* for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately. Program *revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Notes to Financial Statements (continued)

June 30, 2017

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences are recorded only when payment is due.

State and federal grants and contributions, contracted revenues, fees for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The financial transactions of the Agency are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classifications within the financial statements.

The Agency reports the following major governmental fund:

General Fund - The General Fund is the primary operating fund of the Agency. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance

Cash and Cash Equivalents - Cash consists of cash-on-hand and on-deposit with financial institutions. For purposes of reporting cash on the Statement of Net Position, the Agency considers unrestricted highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. At June 30, 2017, the Agency had no cash equivalents.

Inventories - The consumption method is used to account for inventories. Under the consumption method, an expenditure is recognized when inventory is consumed. Commodities inventory is valued using Tennessee Department of Agriculture issued price list.

Capital Assets and Depreciation - Capital assets, which include property, buildings, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements. Depreciation of capital assets is computed and recorded by the straight-line method over the estimated useful lives of the assets.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Notes to Financial Statements (continued)

June 30, 2017

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance (continued)

Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings	25-40 years
Leasehold and land improvements	15-24 years
Vehicles	5 years
Equipment	5 years

Compensated Absences - Agency employees are paid for vacation and absences due to sickness by prescribed formulas based on length of service. Vacation and sick leave for employees of governmental funds are recorded as expenditures in the period they are used and considered payable from current financial resources. Vacation leave is based on employment date, and unused vacation leave is converted into sick leave at the end of the fiscal year-end.

The Agency's policies allow an employee who has been employed with the Agency for twenty consecutive years and is 59½ to receive a payment of accumulated sick leave up to six months upon retirement. The estimated value of accumulated benefits earned by these employees, which may be used in subsequent years and paid upon retirement, is recorded as long-term debt in the government-wide statements.

Long-term Debt - In government-wide financial statements, long-term debt or other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net position.

Deferred outflows/inflows of resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred contributions for the pension plans were made during the fiscal year but are after the measurement date of the actuarial report. These amounts will be recognized during the next measurement period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Differences between projected and actual earnings on pension plan investments are deferred and amortized over five years. Changes in pension plan assumptions are deferred and amortized over the expected remaining service lives of employees.

Fund balance - Governmental funds utilize a fund balance presentation of equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable - fund balances that cannot be spent because they are either not in a spendable form (such as inventory or prepaid items) or are legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted - fund balances with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

Committed - fund balances that can be used only for specific purposes imposed by a formal action of the government's highest level of decision-making authority. The executive committee of the board of directors is the highest level of decision-making authority for the Agency that can, by passing a motion prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the motion remains in place until a similar action is taken (passing another motion) to remove or revise the limitation.

Assigned - fund balances that are intended to be used by the Agency for specific purposes but do not meet the classification as committed. The limitation can be imposed by a designee of the Board of Directors.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Notes to Financial Statements (continued)

June 30, 2017

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance (continued)

Unassigned - fund balance in the General Fund that is the net resources in excess of what can be properly classified in one of the above four categories.

When both restricted and unrestricted fund balances are available for use, it is the Agency's policy to use restricted fund balance first, then unrestricted fund balance. The Agency has not adopted a formal policy for its use of unrestricted fund balance amounts. However, when expenditures are incurred for purposes for which amounts in unrestricted fund balance classifications can be used, it considers that committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts.

Restricted Net Position - For the government-wide financial statements, net position is reported as restricted when constraints placed on net position are either: (1) Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Upper Cumberland Human Resource Agency's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Upper Cumberland Human Resource Agency's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of the TCRS. Investments are reported at fair value.

Estimates - Management is required to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Prepaid items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Indirect costs - Indirect costs are allocated to the functions of the Agency based on the ratio of the individual direct program salaries to total direct program salaries applied to the administrative costs.

Budgets and Budgetary Accounting - General governmental revenue and expenditures are not required to be controlled by a formal integrated budgetary accounting system; therefore no budgetary information is presented.

Note B - DEPOSITS AND INVESTMENTS

The Agency does not have a formal policy regarding the types of investments authorized. However, state statutes authorize the Agency to invest operating funds in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction.

Custodial credit risk - deposits and investments - This is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Agency does not have a formal deposit and investment policy for custodial credit risk. As of June 30, 2017, the carrying amount of the Agency's deposits was \$686,935 and the bank balance was \$974,089. At year end, the Agency's bank balances were covered by federal depository insurance or collateralized with securities held by the pledging financial institutions trust department or agent in the Agency's name.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Notes to Financial Statements (continued)

June 30, 2017

Note B - DEPOSITS AND INVESTMENTS (continued)

The carrying amount of the Agency's deposits is classified as follows on the Statement of Net Position:

Cash	\$ 687,385
Less: petty cash	(450)
Total	<u>\$ 686,935</u>

Note C - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
<u>Governmental activities -</u>				
Capital Assets not being depreciated-				
Land	\$ 252,100	\$ 245,000		\$ 497,100
Subtotal	<u>\$ 252,100</u>	<u>\$ 245,000</u>		<u>\$ 497,100</u>
Capital assets being depreciated-				
Buildings	\$ 362,795	\$ 180,000		\$ 542,795
Equipment	1,506,554	66,333	\$ (19,009)	1,553,878
Vehicles	5,122,828	870,346	(697,003)	5,296,171
Subtotal	<u>\$ 6,992,177</u>	<u>\$ 1,116,679</u>	<u>\$ (716,012)</u>	<u>\$ 7,392,844</u>
Less accumulated depreciation for-				
Buildings	\$ (208,635)	\$ (34,485)		\$ (243,120)
Equipment	(1,338,025)	(58,746)	\$ 19,009	(1,377,762)
Vehicles	(3,626,871)	(553,734)	665,435	(3,515,170)
Subtotal	<u>\$ (5,173,531)</u>	<u>\$ (646,965)</u>	<u>\$ 684,444</u>	<u>\$ (5,136,052)</u>
Capital assets, being depreciated, net	<u>\$ 1,818,646</u>	<u>\$ 469,714</u>	<u>\$ (31,568)</u>	<u>\$ 2,256,792</u>
Capital assets, net	<u>\$ 2,070,746</u>	<u>\$ 714,714</u>	<u>\$ (31,568)</u>	<u>\$ 2,753,892</u>

Depreciation expense was charged to the functions of the primary government as follows:

Local programs and administration	\$ 21,410
Transportation	530,885
WIA	17
Nutrition	15,142
Residential	51,928
Other community services	27,583
Total governmental activities depreciation expense	<u>\$ 646,965</u>

Note D - LONG-TERM LIABILITIES

A summary of changes in the Agency's governmental activities long-term debt transactions for the year ended June 30, 2017, are as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
<u>Governmental Activities -</u>					
Note payable	\$ 660,630		\$ (166,289)	\$ 494,341	\$ 170,495
Compensated absences	648,713	\$ 88,028	(195,237)	541,504	318,842
Net OPEB obligation	333,852	43,062		376,914	17,512
	<u>\$ 1,643,195</u>	<u>\$ 131,090</u>	<u>\$ (361,526)</u>	<u>\$ 1,412,759</u>	<u>\$ 506,849</u>

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Notes to Financial Statements (continued)

June 30, 2017

Note D - LONG-TERM LIABILITIES (continued)

The Agency funded the shortfall from the sale of the Lakeside Resort with a 48 month note payable with the Bank of Putnam County in the amount of \$687,890 with an interest rate of 2.5%. The note requires 48 monthly payments of principal and interest in the amount of \$15,076, with the loan maturing on April 1, 2020. The note is collateralized by the Agency's retiree account, which had a balance at June 30, 2017 of \$624,303. The balance on the note at June 30, 2017 was \$494,341.

The note payable debt service requirements to maturity are as follows:

Year Ending June 30,	Government Activities	
	Principal	Interest
2018	\$ 170,495	\$ 10,417
2019	174,806	6,106
2020	149,040	1,720
Totals	\$ 494,341	\$ 18,243

Interest has been included as a direct expense of the local program and administration activity in the amount of \$14,623.

Note E - RETIREMENT PLANS

Tennessee Consolidated Retirement System -

Defined Benefit Plan Description – Employees of Upper Cumberland Human Resource Agency are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided - Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Notes to Financial Statements (continued)

June 30, 2017

Note E - RETIREMENT PLANS (continued)

Employees Covered by Benefit Terms - At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	93
Active employees	149
	<u>253</u>

Contributions - Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Upper Cumberland Human Resource Agency makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2017, the employer contributions for Upper Cumberland Human Resource Agency were \$300,120 based on a rate of 6.54 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Upper Cumberland Human Resource Agency's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Upper Cumberland Human Resource Agency's net pension liability (asset) was measured as of June 30, 2016, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total pension liability (asset) as of June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Notes to Financial Statements (continued)

June 30, 2017

Note E - RETIREMENT PLANS (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Upper Cumberland Human Resource Agency will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (a) - (b)</u>
Balance at June 30, 2015	<u>\$ 4,596,446</u>	<u>\$ 5,035,391</u>	<u>\$ (438,945)</u>
Changes for the year:			
Service cost	\$ 380,258		\$ 380,258
Interest	370,974		370,974
Differences between expected and actual experience	75,435		75,435
Contributions - employer		\$ 294,017	(294,017)
Contributions - employees		224,785	(224,785)
Net investment income		139,527	(139,527)
Benefit payments, including refunds of employee contributions	(60,760)	(60,760)	
Administrative expense		(11,288)	11,288
Net changes	<u>\$ 765,907</u>	<u>\$ 586,281</u>	<u>\$ 179,626</u>
Balance at June 30, 2016	<u><u>\$ 5,362,353</u></u>	<u><u>\$ 5,621,672</u></u>	<u><u>\$ (259,319)</u></u>

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Notes to Financial Statements (continued)

June 30, 2017

Note E - RETIREMENT PLANS (continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the net pension liability (asset) of Upper Cumberland Human Resource Agency calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Upper Cumberland Human Resource Agency's net pension liability (asset)	\$ 556,799	\$ (259,319)	\$ (927,088)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense - For the year ended June 30, 2017, Upper Cumberland Human Resource Agency recognized pension expense of \$172,897.

Deferred outflows of resources and deferred inflows of resources - For the year ended June 30, 2017, Upper Cumberland Human Resource Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 129,835	\$ 106,228
Net difference between projected and actual earnings on pension plan investments	196,989	
Contributions subsequent to the measurement date of June 30, 2016	300,120	
Total	<u>\$ 626,944</u>	<u>\$ 106,228</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2016," will be recognized as a reduction (increase) to the net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2018	\$ 29,570
2019	29,570
2020	95,152
2021	53,736
2022	12,568
Thereafter	-

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Notes to Financial Statements (continued)

June 30, 2017

Note E - RETIREMENT PLANS (continued)

Payable to the Pension Plan

At June 30, 2017, Upper Cumberland Human Resource Agency reported a payable of \$43,651 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2017.

Defined Contribution Plan –

In addition to the TCRS plan, the Agency continues to provide pension benefits for full-time (hired on or before December 31, 2007) and permanent part-time employees who work at least 1,000 hours annually through a defined contribution plan administered by Mass Mutual. In a defined contribution plan, benefits depend on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after 12 months of employment.

Any amendments to the defined contribution plan have been approved by the Board of Directors of the Agency. According to the Agency's personnel policies approved by the Board of Directors, the agency contributes 5% of the employee's base salary each month, and the employee contributes at least 5% of the base salary. However, employees that are also participants in the TCRS plan do not receive the agency match. The employee is allowed to contribute up to federally defined limits. All contributions by the employee are fully vested upon participation in the retirement plan. Employer contributions are vested at a rate of 20% per year.

Contributions for the year ended June 30, 2017, were \$130,165, which consisted of \$42,345 from the Agency and \$87,820 from the plan members. For the year ended June 30, 2017, forfeited balances of terminated participant's nonvested accounts were used to reduce the Agency's contributions in the amount of \$3,367.

At June 30, 2017, Upper Cumberland Human Resource Agency reported a payable of \$1,764 for the outstanding amount of contributions to the pension plan required at June 30, 2017.

Note F - RISK MANAGEMENT

The Agency participates in the Tennessee Municipal League (TML) Risk Management Pool, for the following risks of loss: commercial general liability, bodily injury, property damage, physical damage, and personal injury liability for vehicle operation, employer's liability and worker's compensation. Worker's compensation is based on previous year's salaries at a predefined rate; however at the end of the policy year (December 31) a worker's compensation audit is conducted. At that time the Agency could be subject to additional payment or a refund of premiums.

The Agency's participation in the TML Risk Management Pool is similar to purchasing commercial insurance, in that the agreement provides for payment of premiums and does not provide for additional member assessments. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years. The Agency carries commercial insurance for employee dishonesty. There were no claims filed against this policy in the past year.

The Agency elected to provide basic health, disability, dental, and life insurance coverage for its employees. The Agency had a fully-funded plan administered through Blue Cross/Blue Shield of Tennessee. The Agency's administrative and claims expenditures were approximately \$1,347,470.

The responsibilities of the Agency include:

Pay all contributions or other sums due to TML; allow attorneys appointed by TML to represent the Agency and assist and cooperate in the defense and settlement of claims against the Agency; follow all loss reduction and prevention procedures established by TML where possible; furnish to TML such operating and underwriting information as may be requested; report as promptly as possible, all incidents which could result in TML being required to pay a claim for loss or injuries; allow TML to inspect and appraise any damaged property before its repair or disposition; cooperate with the pool in any dispute resolutions with other insurance companies.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Notes to Financial Statements (continued)

June 30, 2017

Note F - RISK MANAGEMENT (continued)

The responsibilities of TML are as follows:

TML will defend any suit against the Agency or covered party seeking damages even if any of the allegations of the suit are groundless, false, or fraudulent.

TML's duty to pay on behalf of or to indemnify a covered party other than the Agency does not apply to any act, error or omission:

- (1) That constitutes malfeasance in office;
- (2) That constitutes willful and wanton neglect of duty;
- (3) That constitutes dishonesty on the part of a covered party; or
- (4) That constitutes the willful violation of a statute or ordinance by any official, employee, or agent of the municipality.

Note G - COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the agency expects such amounts, if any, to be immaterial.

Note H - OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The Agency's policies provide an employee who has been employed with the Agency for twenty consecutive years and is 59 ½ continuation of current medical insurance until the age of 65. The agency has completed an actuarial study as of July 1, 2015. The study's information follows:

1) GASB 45 DISCLOSURE FINANCIALS

Annual OPEB Cost and Net OPEB Obligation	7/01/2016- 6/30/2017
1. Annual Required Contribution (ARC)	\$ 64,110
2. Interest on net OPEB Obligation	13,354
3. Adjustment to ARC	(16,890)
4. Annual OPEB Cost (Expense)	\$ 60,574
5. Contribution made (assumed middle of year)*	(17,512)
6. Increase in net OPEB Obligation	\$ 43,062
7. Net OPEB Obligation (beginning of year)	333,852
8. Net OPEB Obligation (end of year)	<u>\$ 376,914</u>

*Contribution made was assumed to equal Expected Benefit Payments.

The annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years ending June 30, 2015, 2016, and 2017 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	Covered Payroll	OPEB Cost % of Pay
6/30/2015	\$ 36,411	14.3%	\$ 286,049	\$5,203,402	0.7%
6/30/2016	\$ 57,842	17.4%	\$ 333,852	\$5,566,281	1.0%
6/30/2017	\$ 60,574	28.9%	\$ 376,914	\$5,705,438	1.1%

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Notes to Financial Statements (continued)

June 30, 2017

Note H - OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

Methods and Assumptions

Interest Rate	4.00%
2015 Medical Trend Rate	9.00%
Ultimate Medical Trend Rate	5.00%
Year Ultimate Medical Trend Rate Reached	2019
Actuarial Cost Method	Entry Age Normal
The remaining amortization period at 06/30/2016	23.78
Annual Payroll Increase	2.50%

2) A BRIEF DESCRIPTION OF THE RETIREE MEDICAL INSURANCE PLANS:

a. Plan Types:	Medical Insurance through Blue Cross Blue Shield of Tennessee
b. Eligibility:	20 years of service and 59.5 years of age All benefits cease when employee is Medicare eligible.
c. Benefit/Cost Sharing:	Employer pays 70% of the medical premium.
d. Spouse Benefit:	Yes, until Medicare eligible or retiree is Medicare eligible.
e. Surviving Spouse Benefit:	None
f. Annual Premiums:	Effective February 1, 2015

<u>Plan</u>	
Individual	\$6,923
Individual/Spouse	\$14,530
Individual/Child(ren)	\$12,663
Family	\$20,996

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Contribution requirements of the Agency and plan members are determined by the executive committee. At present, only current benefits payable are being funded under the plans. The Agency currently does not have a trust fund. The Agency is working on developing a trust agreement for these benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Note I - LINE OF CREDIT

The Agency renewed a line of credit with Bank of Putnam County on July 16, 2016 for a term of fifteen months ending on October 16, 2017, to provide working capital for the Agency. The maximum available line of credit balance was \$2,000,000. The line of credit has a fixed interest rate of 5%. The balance on the line of credit at June 30, 2017 was \$562,917.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Notes to Financial Statements (continued)

June 30, 2017

Note I - LINE OF CREDIT (continued)

The activity for the line of credit for the year ended June 30, 2017 is as follows:

Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
\$ 820,449	\$ 10,707,817	\$ (10,965,349)	\$ 562,917

The Agency has pledged as collateral land and buildings located at Indian Mound and Chance residential centers, various vehicles owned by the Agency, accounts and other rights to payment, instruments and chattel paper, general intangibles, documents, government payments and programs, investment property, and deposit accounts.

Interest has been included as a direct expense of the local program and administration activity in the amount of \$20,150.

Note J - LEASES

The Agency has entered into leases for office space including the central office location as well as offices within each of the counties served by the Agency. None of the leases, other than the maintenance shop lease noted below, have terms which are noncancelable. Lease expenditures for the year ended June 30, 2017, were \$652,446.

Note K - BUILDING LEASE PURCHASE

The Agency entered into a lease commencing July 1, 2014 for an original term of 36 months and an automatic 24 month extension, for a building used as a maintenance shop for the Agency's transportation programs. The rent is \$2,500 per month. The lease agreement contains a purchase option for the Agency to buy the building for a sum of \$425,000 with an amount equal to \$2,500 for each month in which rent is paid to be credited to the Agency and applied to the purchase price of the property in the event that the Agency exercises the option.

During the year ended June 30, 2017, the Agency exercised the purchase option for the building and completed the purchase on March 31, 2017. The Agency had paid \$82,500 in lease payments prior to the completed purchase, which was applied toward the sales price of the building and had been previously recorded as rent expenditures.

REQUIRED SUPPLEMENTARY INFORMATION

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Required Supplementary Information

Schedule of Changes in Upper Cumberland Human Resource Agency's
Net Pension Liability (Asset) and Related Ratios Based on
Participation in the Public Employee Pension Plan of TCRS
Last 10 Fiscal Years ending June 30 (1)

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total pension liability			
Service cost	\$ 385,303	\$ 403,133	\$ 380,258
Interest	280,006	335,166	370,974
Changes in benefit terms	-	-	-
Differences between expected and actual experience	117,205	(159,342)	75,435
Changes in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(33,199)	(96,528)	(60,760)
Net change in total pension liability	\$ 749,315	\$ 482,429	\$ 765,907
Total pension liability - beginning	<u>3,364,702</u>	<u>4,114,017</u>	<u>4,596,446</u>
Total pension liability - ending (a)	<u><u>\$ 4,114,017</u></u>	<u><u>\$ 4,596,446</u></u>	<u><u>\$ 5,362,353</u></u>
 Plan fiduciary net position			
Contributions - employer	\$ 315,430	\$ 292,707	\$ 294,017
Contributions - employee	222,448	223,782	224,785
Net investment income	600,086	144,292	139,527
Benefit payments, including refunds of employee contributions	(33,199)	(96,528)	(60,760)
Administrative expense	(5,214)	(7,694)	(11,288)
Net change in plan fiduciary net position	\$ 1,099,551	\$ 556,559	\$ 586,281
 Plan fiduciary net position - beginning	<u>3,379,281</u>	<u>4,478,832</u>	<u>5,035,391</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 4,478,832</u></u>	<u><u>\$ 5,035,391</u></u>	<u><u>\$ 5,621,672</u></u>
 Agency's net pension liability (asset) ending (a) - (b)	<u><u>\$ (364,815)</u></u>	<u><u>\$ (438,945)</u></u>	<u><u>\$ (259,319)</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	108.87%	109.55%	104.84%
 Covered - employee payroll	\$ 4,448,938	\$ 4,475,647	\$ 4,495,668
 Agency's net pension liability (asset) as a percentage of covered-employee payroll	-8.20%	-9.81%	-5.77%

(1) This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Required Supplementary Information

Schedule of Upper Cumberland Human Resource Agency's Contributions
Based on Participation in the Public Employee Pension Plan of TCRS
Last 10 Fiscal Years ending June 30 (1)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 315,430	\$ 292,707	\$ 294,017	\$ 300,120
Contributions in relation to the actuarially determined contribution	<u>315,430</u>	<u>292,707</u>	<u>294,017</u>	<u>300,120</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered-employee payroll	 \$ 4,448,938	 \$ 4,475,647	 \$ 4,495,668	 \$ 4,588,994
 Contributions as a percentage of covered-employee payroll	 7.09%	 6.54%	 6.54%	 6.54%

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 2017 were calculated based on the July 1, 2015 actuarial valuation.

Methods and assumptions used to determine contribution rates are:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by Year
Asset valuation method	10-year smoothed within a 20% corridor to market value
Inflation	3.0%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment rate of return	7.5%, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5%

(1) This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Schedule of Funding Progress

For the Year Ended June 30, 2017

Other Post-Employment Benefit Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (AAL) ((b-a)/c)
July 1, 2015	\$0	\$ 547,461	\$547,461	0.00%	\$5,566,281	9.8%
July 1, 2012	\$0	\$ 295,059	\$295,059	0.00%	\$4,952,673	6.0%
July 1, 2010	\$0	\$ 483,906	\$483,906	0.00%	\$6,356,194	7.6%

SUPPLEMENTAL SECTION

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Schedule of Indirect Costs

Year Ended June 30, 2017

Indirect Cost Pool -	
Salaries	\$ 1,098,271
Fringe benefits	376,435
Insurance	124,577
Rent	100,698
Supplies	32,806
Communications	22,728
Travel	15,227
Policy council and board member	12,003
Equipment rental	11,068
Professional services	10,305
Leasing	7,618
Dues and subscriptions	5,974
Training	5,354
Vehicle operations	3,858
Repairs and maintenance	3,182
Printing	2,241
Utilities	1,565
Janitorial services	1,507
Total Indirect Cost Allocations	\$ <u>1,835,417</u>

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

Program Name	CFDA Number	Contract/Grant Number	Balance June 30, 2016 (Receivable)/ Unearned	Receipts	Adjustments	Expenditures	Balance June 30, 2017 (Receivable)/ Unearned
U.S. DEPARTMENT OF AGRICULTURE							
Passed through Tennessee Department of Human Services -							
Child and Adult Care Food Program	10.558	03-47-64071-00-6	\$ 11,078				\$ 11,078
Child and Adult Care Food Program	10.558	03-47-64071-00-6	(101,741)	\$ 416,897	\$ (13,820)	\$ 298,712	2,624
Child and Adult Care Food Program	10.558	03-47-64071-00-6		626,556	13,820	813,895	(173,519)
			<u>\$ (90,663)</u>	<u>\$ 1,043,453</u>	<u>\$ - 0 -</u>	<u>\$ 1,112,607</u>	<u>\$ (159,817)</u>
Passed through Tennessee Department of Labor/Workforce Development -							
Supplemental Nutrition Assistance Program	10.561	LW07F161QSNAP16	\$ (965)	\$ 17,034		\$ 16,069	
Supplemental Nutrition Assistance Program	10.561	LW07F171QSNAP17		7,868		9,231	\$ (1,363)
			<u>\$ (965)</u>	<u>\$ 24,902</u>		<u>\$ 25,300</u>	<u>\$ (1,363)</u>
Passed through Tennessee Department of Agriculture -							
Emergency Food Assistance Program	10.568	62452	\$ (15,532)	\$ 42,494		\$ 26,962	
Emergency Food Assistance Program	10.568	62674		26,878		72,928	\$ (46,050)
			<u>\$ (15,532)</u>	<u>\$ 69,372</u>		<u>\$ 99,890</u>	<u>\$ (46,050)</u>
<i>Total U.S. Department of Agriculture</i>			<u>\$ (107,160)</u>	<u>\$ 1,137,727</u>		<u>\$ 1,237,797</u>	<u>\$ (207,230)</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Passed through Tennessee Department of Health -							
Housing Opportunities for Persons with AIDS	14.241	GG-12-35938-05	\$ (8,117)	\$ 8,117			
Housing Opportunities for Persons with AIDS	14.241	GR-17-50138-00		54,052		\$ 59,008	\$ (4,956)
<i>Total U.S. Department of Housing and Urban Development</i>			<u>\$ (8,117)</u>	<u>\$ 62,169</u>		<u>\$ 59,008</u>	<u>\$ (4,956)</u>
U.S. DEPARTMENT OF LABOR							
Passed through Tennessee Department of Labor/Workforce Development -							
Employment Service/Wagner-Peyser Funded Activities	17.207		\$ (15,792)	\$ 15,792			
Employment Service/Wagner-Peyser Funded Activities	17.207		(9,827)				\$ (9,827)
Employment Service/Wagner-Peyser Funded Activities	17.207			32,639		\$ 43,868	(11,229)
Employment Service/Wagner-Peyser Funded Activities	17.207			25,258		36,114	(10,856)
			<u>\$ (25,619)</u>	<u>\$ 73,689</u>		<u>\$ 79,982</u>	<u>\$ (31,912)</u>
Unemployment Insurance	17.225	LW07P161RESEA17	\$ (4,637)	\$ 30,296	\$ 2	\$ 25,661	
Unemployment Insurance	17.225	LW07F171RESEA17		3,747		5,921	\$ (2,174)
			<u>\$ (4,637)</u>	<u>\$ 34,043</u>	<u>\$ 2</u>	<u>\$ 31,582</u>	<u>\$ (2,174)</u>
Senior Community Service Employment Program	17.235	LW07F151SCSEP16	\$ (30,726)	\$ 30,726			
Senior Community Service Employment Program	17.235	LW07F151SCSEP16		160,751		\$ 190,871	\$ (30,120)
			<u>\$ (30,726)</u>	<u>\$ 191,477</u>		<u>\$ 190,871</u>	<u>\$ (30,120)</u>
WIA/WIOA Adult Program	17.258	LW07F161ADULT16	\$ (63,026)	\$ 523,376		\$ 460,350	\$
WIA/WIOA Adult Program	17.258	LW07F171ADULT17		250,139		360,333	(110,194)
WIA/WIOA Adult Program	17.258	LW07P161ADULT17		90,187		90,214	(27)
			<u>\$ (63,026)</u>	<u>\$ 863,702</u>		<u>\$ 910,897</u>	<u>\$ (110,221)</u>

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2017

Program Name	CFDA Number	Contract/Grant Number	Balance June 30, 2016 (Receivable)/ Unearned	Receipts	Adjustments	Expenditures	Balance June 30, 2017 (Receivable)/ Unearned
U.S. DEPARTMENT OF LABOR (continued)							
Passed through Tennessee Department of Labor/Workforce Development -							
WIA/WIOA Youth Activities	17.259	LW07P161YOUTH16	\$ (47,850)	\$ 256,066		\$ 231,325	\$ (23,109)
WIA/WIOA Youth Activities	17.259	LW07P161YOUTH17		164,589		218,655	(54,066)
WIA/WIOA Youth Activities	17.259	LW07P131NCSWA14		25,294		26,732	(1,438)
			<u>\$ (47,850)</u>	<u>\$ 445,949</u>		<u>\$ 476,712</u>	<u>\$ (78,613)</u>
WIA/WIOA Dislocated Worker Formula Grants	17.278	LW07F161DSLWK16	\$ (63,955)	\$ 364,390		\$ 300,435	
WIA/WIOA Dislocated Worker Formula Grants	17.278	LW07F171DSLWK17		63,609		109,235	\$ (45,626)
WIA/WIOA Dislocated Worker Formula Grants	17.278	LW07P161DSLWK17		85,359		85,359	
WIA/WIOA Dislocated Worker Formula Grants	17.278	LW07F141TFRSP14	(29,854)	29,854			
WIA/WIOA Dislocated Worker Formula Grants	17.278	LW07F161IWSWA16	(2,390)	52,793		50,403	
WIA/WIOA Dislocated Worker Formula Grants	17.278	LW07F151NCSWA15	(9,563)	9,563			
WIA/WIOA Dislocated Worker Formula Grants	17.278	LW07F152IWRSP15				19,524	(19,524)
			<u>\$ (105,762)</u>	<u>\$ 605,568</u>		<u>\$ 564,956</u>	<u>\$ (65,150)</u>
Passed through Senior Services of America -							
Senior Community Service Employment Program	17.235	AD-26910-15-55-A-24	\$ (41,715)	\$ 41,715			
Senior Community Service Employment Program	17.235	AD-29496-16-55-A-24		237,882		\$ 274,573	\$ (36,691)
			<u>\$ (41,715)</u>	<u>\$ 279,597</u>		<u>\$ 274,573</u>	<u>\$ (36,691)</u>
<i>Total U.S. Department of Labor</i>			<u>\$ (319,335)</u>	<u>\$ 2,494,025</u>	<u>\$ 2</u>	<u>\$ 2,529,573</u>	<u>\$ (354,881)</u>
U.S. DEPARTMENT OF TRANSPORTATION							
Passed through Tennessee Department of Transportation -							
Federal Transit - Capital Investment Grants	20.500	GG-15-42930-01		\$ 34,888		\$ 34,888	
Federal Transit - Capital Investment Grants	20.500	GG-14-42110-00		9,962		51,780	\$ (41,818)
Federal Transit - Capital Investment Grants	20.500	GG-16-48434-00	\$ (480)	79,091		78,611	
			<u>\$ (480)</u>	<u>\$ 123,941</u>		<u>\$ 165,279</u>	<u>\$ (41,818)</u>
Formula Grants for Rural Areas	20.509	Z-15-RT0012-00		\$ 12,500		\$ 12,500	
Formula Grants for Rural Areas	20.509	Z-16-RT0022-00	\$ (997,894)	997,894			
Formula Grants for Rural Areas	20.509	Z-16-RT0011-00	(1,286)	1,286			
Formula Grants for Rural Areas	20.509	Z-17-RT0011-00		1,866,568		2,359,092	\$ (492,524)
Formula Grants for Rural Areas	20.509	GG-17-53327-00		15,000		17,959	(2,959)
			<u>\$ (999,180)</u>	<u>\$ 2,893,248</u>		<u>\$ 2,389,551</u>	<u>\$ (495,483)</u>
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	Z-16-EMSP18-01		\$ 55,152		\$ 55,152	
Job Access	20.516	GG-17-53107-00		\$ 13,670		\$ 13,670	
Job Access	20.516	GG-17-55115-00				310,029	\$ (310,029)
				<u>\$ 13,670</u>		<u>\$ 323,699</u>	<u>\$ (310,029)</u>
New Freedom Program	20.521	GG-16-50813-00	\$ (172,462)	\$ 292,598	\$ 29,476	\$ 159,554	\$ (9,942)
Bus and Bus Facilities Formula Program	20.526	Z-17-BP0008-00		\$ 470,050		\$ 470,050	
<i>Total U.S. Department of Transportation</i>			<u>\$ (1,172,122)</u>	<u>\$ 3,848,659</u>	<u>\$ 29,476</u>	<u>\$ 3,563,285</u>	<u>\$ (857,272)</u>

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2017

Program Name	CFDA Number	Contract/Grant Number	Balance June 30, 2016 (Receivable)/ Unearned	Receipts	Adjustments	Expenditures	Balance June 30, 2017 (Receivable)/ Unearned
U.S. DEPARTMENT OF ENERGY							
Passed through Tennessee Department of Human Services - Weatherization Assistance for Low-Income Persons	81.042	WAP 14-14	\$ (76,147)	\$ 82,726		\$ 6,579	
Weatherization Assistance for Low-Income Persons	81.042			129,448		414,191	\$ (284,743)
<i>Total U.S. Department of Energy</i>			<u>\$ (76,147)</u>	<u>\$ 212,174</u>		<u>\$ 420,770</u>	<u>\$ (284,743)</u>
U.S. DEPARTMENT OF EDUCATION							
Passed through Tennessee Alliance for Children and Families - Title I (Grants to Local Educational Agencies)	84.010		\$ (23,698)	\$ 25,445	\$ 15	\$ 1,762	
Title I (Grants to Local Educational Agencies)	84.010			11,209		35,626	\$ (24,417)
			<u>\$ (23,698)</u>	<u>\$ 36,654</u>	<u>\$ 15</u>	<u>\$ 37,388</u>	<u>\$ (24,417)</u>
Passed through Tennessee Department of Human Services - Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126		\$ (1,215)	\$ 1,215			
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126			4,390		\$ 5,959	\$ (1,569)
			<u>\$ (1,215)</u>	<u>\$ 5,605</u>		<u>\$ 5,959</u>	<u>\$ (1,569)</u>
<i>Total U.S. Department of Education</i>			<u>\$ (24,913)</u>	<u>\$ 42,259</u>	<u>\$ 15</u>	<u>\$ 43,347</u>	<u>\$ (25,986)</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Head Start	93.600	04CH10011-01-01	\$ (97,380)	\$ 97,380			
Head Start	93.600	04CH10011-02-01		320,667		\$ 443,737	\$ (123,070)
			<u>\$ (97,380)</u>	<u>\$ 418,047</u>		<u>\$ 443,737</u>	<u>\$ (123,070)</u>
Passed through Upper Cumberland Development District - Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	GA-9150	\$ (2,222)	\$ 2,222			
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	GA-9150		78,413		\$ 82,514	\$ (4,101)
			<u>\$ (2,222)</u>	<u>\$ 80,635</u>		<u>\$ 82,514</u>	<u>\$ (4,101)</u>
Special Programs for the Aging Title III, Part C - Nutrition Services - Congregate Meals	93.045	GA-9151	\$ (87,800)	\$ 87,800			
Nutrition Services - Congregate Meals	93.045	GA-9151		263,402		\$ 351,147	\$ (87,745)
Nutrition Services - Home Delivered Meals	93.045	GA-9152	(68,762)	68,762			
Nutrition Services - Home Delivered Meals	93.045	GA-9152		315,450		367,876	(52,426)
			<u>\$ (156,562)</u>	<u>\$ 735,414</u>		<u>\$ 719,023</u>	<u>\$ (140,171)</u>
National Family Caregiver Support, Title III, Part E	93.052	GA-9159	\$ (5,743)	\$ 5,743			
National Family Caregiver Support, Title III, Part E	93.052	GA-9159		30,005		\$ 36,077	\$ (6,072)
			<u>\$ (5,743)</u>	<u>\$ 35,748</u>		<u>\$ 36,077</u>	<u>\$ (6,072)</u>
Passed through OASIS Center, Inc. - Affordable Care Act Personal Responsibility Education Program	93.092		\$ (19,402)	\$ 19,402			
Affordable Care Act Personal Responsibility Education Program	93.092			19,699		\$ 21,200	\$ (1,501)
			<u>\$ (19,402)</u>	<u>\$ 39,101</u>		<u>\$ 21,200</u>	<u>\$ (1,501)</u>

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2017

Program Name	CFDA Number	Contract/Grant Number	Balance June 30, 2016 (Receivable)/ Unearned	Receipts	Adjustments	Expenditures	Balance June 30, 2017 (Receivable)/ Unearned
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)							
Passed through Tennessee Department of Human Services -							
Low-Income Home Energy Assistance (Weatherization)	93.568	LWx-16-14	\$ (68,077)	\$ 174,876		\$ 258,101	\$ (151,302)
Low-Income Home Energy Assistance	93.568	LIHEAP 16-18	(220,045)	250,445		30,400	
Low-Income Home Energy Assistance	93.568	LIHEAP 16B-18		2,593,394		3,001,570	(408,176)
			<u>\$ (288,122)</u>	<u>\$ 3,018,715</u>		<u>\$ 3,290,071</u>	<u>\$ (559,478)</u>
Community Services Block Grant	93.569	Z-16-49119	\$ (254,024)	\$ 254,024			
Community Services Block Grant	93.569	Z-17-49119		643,248		\$ 890,455	\$ (247,207)
			<u>\$ (254,024)</u>	<u>\$ 897,272</u>		<u>\$ 890,455</u>	<u>\$ (247,207)</u>
Social Services Block Grant	93.667	Z-15-49318-00	\$ (39,768)	\$ 39,768			
Social Services Block Grant	93.667	Z-16-49318-00		241,040		\$ 266,047	\$ (25,007)
			<u>\$ (39,768)</u>	<u>\$ 280,808</u>		<u>\$ 266,047</u>	<u>\$ (25,007)</u>
Passed through United Way -							
HIV Care Formula Grants	93.917		\$ (8,911)	\$ 40,048		\$ 31,137	
HIV Care Formula Grants	93.917			6,442		13,929	\$ (7,487)
			<u>\$ (8,911)</u>	<u>\$ 46,490</u>		<u>\$ 45,066</u>	<u>\$ (7,487)</u>
<i>Total U.S. Department of Health and Human Services</i>			<u>\$ (872,134)</u>	<u>\$ 5,552,230</u>		<u>\$ 5,794,190</u>	<u>\$ (1,114,094)</u>
U.S. DEPARTMENT OF HOMELAND SECURITY							
Passed through United Way -							
Emergency Food and Shelter National Board Program	97.024		\$ 2,803			\$ 450	\$ 2,353
Emergency Food and Shelter National Board Program	97.024			\$ 46,516		48,390	\$ (1,874)
<i>Total U.S. Department of Homeland Security</i>			<u>\$ 2,803</u>	<u>\$ 46,516</u>		<u>\$ 48,840</u>	<u>\$ 479</u>
			<u>\$ (2,577,125)</u>	<u>\$ 13,395,759</u>	<u>\$ 29,493</u>	<u>\$ 13,696,810</u>	<u>\$ (2,848,683)</u>

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Schedule of Expenditures of State Awards

Year Ended June 30, 2017

Program Name	Contract/Grant Number	Balance June 30, 2016 (Receivable)/ Unearned	Receipts	Adjustments	Expenditures	Balance June 30, 2017 (Receivable)/ Unearned
TENNESSEE DEPARTMENT OF PROBATION AND PAROLE						
Community Corrections	41903	\$ (64,825)	\$ 64,825			
Community Corrections	41903		369,920		\$ 469,157	\$ (99,237)
		\$ (64,825)	\$ 434,745		\$ 469,157	\$ (99,237)
TENNESSEE DEPARTMENT OF CHILDREN'S SERVICES						
Community Intervention - Juvenile Services	38692	\$ (38,892)	\$ 38,892			
Community Intervention - Juvenile Services			137,396		\$ 191,416	\$ (54,020)
Court Appointed Special Advocates	DGA 25171	(4,554)	4,554			
Court Appointed Special Advocates	DGA 25171		54,931		63,295	(8,364)
Special Education	SPED01138	(2,000)	2,000			
Special Education	SPED01138	(2,000)	2,000			
Special Education	SPED01138	(2,000)	2,000			
Special Education			3,307		3,307	
Special Education			2,067		2,067	
Special Education			1,569		1,569	
		\$ (49,446)	\$ 248,716		\$ 261,654	\$ (62,384)
TENNESSEE DEPARTMENT OF LABOR/WORKFORCE DEVELOPMENT						
Disabled Veterans Outreach			\$ 4,422		\$ 6,031	\$ (1,609)
Local Verterns Employment Representative			3,847		5,230	(1,383)
Adult Education			6,403		9,683	(3,280)
			\$ 14,672		\$ 20,944	\$ (6,272)
TENNESSEE DEPARTMENT OF TRANSPORTATION						
Section 5309 Discretionary Capital	GG-15-42930-01		\$ 3,573		\$ 3,573	
Section 5309 Discretionary Capital	GG-14-42110-00		1,245		5,881	\$ (4,636)
Section 5309 Discretionary Capital	GG-16-48434-00	\$ (60)	9,886		9,826	
Section 5309 Discretionary Capital	Z-17-BP0008-00		41,475		41,475	
Enhanced Mobility of Seniors and Individuals with Disabilities	Z-16-EMSP18-01		6,894		6,894	
Public Transportation for Non Urbanized Areas (Section 18) - CARTS	Z-15-RT0012-00		6,250		6,250	
Public Transportation for Non Urbanized Areas (Section 18) - CARTS	Z-16-RT0022-00	(498,947)	498,947			
Public Transportation for Non Urbanized Areas (Section 18) - CARTS	Z-17-RT0011-00		879,112		1,155,633	(276,521)
Job Access	GG-17-53107-00		6,835		6,835	
Job Access	GG-17-55115-00				155,015	(155,015)
New Freedom Program	GG-16-50813-00		53,750	\$ (29,476)	25,668	(1,394)
Student Internship Assistance	Z-17-BP0008-00				2,136	(2,136)
		\$ (499,007)	\$ 1,507,967	\$ (29,476)	\$ 1,419,186	\$ (439,702)
UPPER CUMBERLAND DEVELOPMENT DISTRICT						
Options for Community Living		\$ (37,165)	\$ 37,165			
Options for Community Living			221,470		\$ 280,605	\$ (59,135)
		\$ (37,165)	\$ 258,635		\$ 280,605	\$ (59,135)
		\$ (650,443)	\$ 2,464,735	\$ (29,476)	\$ 2,451,546	\$ (666,730)

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Schedule of Performance Based Financial Assistance

Year Ended June 30, 2017

<u>Program Name</u>	<u>CFDA Number</u>	<u>Contract/Grant Number</u>	<u>Balance June 30, 2016 (Receivable)/ Unearned</u>	<u>Receipts</u>	<u>Amount Earned</u>	<u>Balance June 30, 2017 (Receivable)/ Unearned</u>
U.S. DEPARTMENT OF AGRICULTURE						
Passed through Tennessee Department of Education - Residential Centers (School Breakfast)	10.553		\$ (2,500)	\$ 28,079	\$ 27,332	\$ (1,753)
Residential Centers (School Lunch)	10.555		(3,902)	41,950	40,831	(2,783)
Passed through Tennessee Department of Human Services - Head Start	10.558	03-47-64194-00-1		23,847	23,847	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed through Upper Cumberland Development District - Nutrition Services Incentive Program	93.053	GA-9151	(12,500)	49,996	50,000	(12,504)
			<u>\$ (18,902)</u>	<u>\$ 143,872</u>	<u>\$ 142,010</u>	<u>\$ (17,040)</u>

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

**Notes to the Schedules of Expenditures of Federal and State Awards and
Performance Based Financial Assistance**

Year Ended June 30, 2017

Note A - BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards and performance based financial assistance include the grant activity of the Upper Cumberland Human Resource Agency under programs of the federal and state governments for the year ended June 30, 2017. The information in these schedules is presented in accordance with the requirements of U.S Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedules present only a selected portion of the operations of the Upper Cumberland Human Resource Agency, these are not intended to and do not present the financial position, changes in net position, or cash flows of the Upper Cumberland Human Resource Agency.

The receivable balance accrued June 30, 2016, represents grant funds earned during the prior period, but not received prior to the end of that period. The unearned balance at June 30, 2016, represents grant funds received during the prior period, but not earned prior to the end of that period.

Cash receipts represent the actual cash received from the grantor agency during the current period.

Expenditures represent current period expenses charged to the grant as well as current period revenues recognized from the grant, recorded on the accrual basis of accounting.

The receivable balance accrued June 30, 2017, represents grant revenue earned which was not received from the grantor agency during the current period. The unearned balance at June 30, 2017, represents grant funds received from the grantor agency during the current period which was not earned prior to the end of that period.

Note B - SUBRECIPIENTS

Of the federal expenditures presented in the schedule, Upper Cumberland Human Resource Agency provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
17.259	WIOA Youth Activities	\$130,014

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Schedule of Noncash Assistance

Year Ended June 30, 2017

<u>Program Name</u>	<u>CFDA Number</u>	<u>Contract/Grant Number</u>	<u>Balance June 30, 2016</u>	<u>Receipts</u>	<u>Price Adjustments</u>	<u>Loss Adjustments</u>	<u>Expenditures</u>	<u>Balance June 30, 2017</u>
U.S. DEPARTMENT OF AGRICULTURE Passed through Tennessee Department of Agriculture - Emergency Food Assistance Program (Food Commodities)	10.569	45928	\$ <u>402,586</u>	\$ <u>690,778</u>	\$ <u>484</u>	\$ <u>(826)</u>	\$ <u>736,741</u>	\$ <u>356,281</u>

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Notes to the Schedule of Noncash Assistance

Year Ended June 30, 2017

Note A - BASIS OF PRESENTATION

The accompanying schedule of noncash assistance includes the grant activity of the Upper Cumberland Human Resource Agency under commodity programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of U.S Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Upper Cumberland Human Resource Agency, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Upper Cumberland Human Resource Agency.

The balance at June 30, 2016, represents the beginning inventory of commodities held by the Agency at the end of the prior period.

Receipts represent commodities received from the grantor Agency during the current period.

Federal expenditures represent commodities distributed by the Agency during the current period.

The balance at June 30, 2017, represents the ending inventory of commodities held by the Agency at the end of the current period.

COMPLIANCE AND INTERNAL CONTROL SECTION



JOBE, HASTINGS & ASSOCIATES

Certified Public Accountants

745 SOUTH CHURCH STREET – BELMONT PARK
P.O. BOX 1175 MURFREESBORO, TN 37133-1175
(615) 893-7777 FAX: (615) 896-5990
www.jobehastings.com

James R. Jobe, CPA
Donna K. Hastings, CPA (*inactive*)
Joel H. Jobe (*1944 – 2006*)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Upper Cumberland Human Resource Agency

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Upper Cumberland Human Resource Agency, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Upper Cumberland Human Resource Agency's basic financial statements and have issued our report thereon dated December 20, 2017

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Upper Cumberland Human Resource Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Upper Cumberland Human Resource Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Upper Cumberland Human Resource Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Upper Cumberland Human Resource Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002.

Upper Cumberland Human Resource Agency's Response to Findings

Upper Cumberland Human Resource Agency's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Upper Cumberland Human Resource Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jobe, Hastings & Associates

Certified Public Accountants

Murfreesboro, Tennessee
December 20, 2017



JOBE, HASTINGS & ASSOCIATES

Certified Public Accountants

745 SOUTH CHURCH STREET – BELMONT PARK
P.O. BOX 1175 MURFREESBORO, TN 37133-1175
(615) 893-7777 FAX: (615) 896-5990
www.jobehastings.com

James R. Jobe, CPA
Donna K. Hastings, CPA (*inactive*)
Joel H. Jobe (1944 – 2006)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors
Upper Cumberland Human Resource Agency

Report on Compliance for Each Major Federal Program

We have audited the Upper Cumberland Human Resource Agency's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Upper Cumberland Human Resource Agency's major federal programs for the year ended June 30, 2017. The Upper Cumberland Human Resource Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Upper Cumberland Human Resource Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Upper Cumberland Human Resource Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Upper Cumberland Human Resource Agency's compliance.

Basis for Qualified Opinion on CFDA 10.568, 10.569, 17.258, 17.259, 17.278, 20.509, 81.042, 93.568, and 93.569

As described in the accompanying schedule of findings and questioned costs, Upper Cumberland Human Resource Agency did not comply with requirements regarding CFDA 10.568 and 10.569 Food Distribution Cluster, CFDA 17.258, 17.259, and 17.278 Workforce Innovation and Opportunity Act Cluster, CFDA 20.509 Formula Grants for Rural Areas, CFDA 81.042 Weatherization Assistance for Low-Income Persons, CFDA 93.568 Low-Income Home Energy Assistance, and CFDA 93.569 Community Services Block Grant as described in finding number 2017-002 for Cost Principles. Compliance with such requirements is necessary, in our opinion, for Upper Cumberland Human Resource Agency to comply with the requirements applicable to these programs.

Qualified Opinion on CFDA 10.568, 10.569, 17.258, 17.259, 17.278, 20.509, 81.042, 93.568, and 93.569

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Upper Cumberland Human Resource Agency, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 10.568 and 10.569 Food Distribution Cluster, CFDA 17.258, 17.259, and 17.278 Workforce Innovation and Opportunity Act Cluster, CFDA 20.509 Formula Grants for Rural Areas, CFDA 81.042 Weatherization Assistance for Low-Income Persons, CFDA 93.568 Low-Income Home Energy Assistance, and CFDA 93.569 Community Services Block Grant for the year ended June 30, 2017.

Unmodified Opinion on Each of the Other Major Federal Program

In our opinion, Upper Cumberland Human Resource Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

Other Matters

Upper Cumberland Human Resource Agency's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Upper Cumberland Human Resource Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Upper Cumberland Human Resource Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Upper Cumberland Human Resource Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Upper Cumberland Human Resource Agency's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance, that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2017-003 to be a material weakness.

The Board of Directors
Upper Cumberland Human Resource Agency
Page 3

Upper Cumberland Human Resource Agency's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Upper Cumberland Human Resource Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gabe, Hastings & Associates

Certified Public Accountants

Murfreesboro, Tennessee
December 20, 2017

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Schedule of Audit Findings and Questioned Costs

June 30, 2017

A - SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the Upper Cumberland Human Resource Agency were prepared in accordance with GAAP.
2. No deficiencies relating to the audit of the financial statements are reported in the *Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards*.
3. Two instances of noncompliance or other matters which are required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies and one material weakness relating to the audit of the major federal award programs is reported in the *Independent Auditor's Report On Compliance For Each Major Program And On Internal Control Over Compliance Required By The Uniform Guidance*.
5. The auditor's report on compliance for the major federal award programs for the Upper Cumberland Human Resource Agency expresses a qualified opinion on six major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs were;

<u>Federal Program Name</u>	<u>CFDA Numbers</u>
Food Distribution Cluster	10.568 & 10.569
Workforce Investment Act/Workforce Innovation and Opportunity Act Cluster	17.258, 17.259 & 17.278
Formula Grants for Rural Areas	20.509
Weatherization Assistance for Low-Income Persons	81.042
Low-Income Home Energy Assistance	93.568
Community Services Block Grant	93.569

8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The Upper Cumberland Human Resource Agency did not qualify as a low-risk auditee.

B - FINDINGS - FINANCIAL STATEMENT AUDIT

2017-001 Closing of Books

Condition: The Agency did not close their official accounting records and have those records available for audit within two months after the close of the fiscal year.

Criteria: Tennessee Code Annotated §9-2-102(b) requires, "all local governments that are subject to the audit requirements of the comptroller of the treasury and that handle public funds to close their official accounting records and to have those records available for audit no later than two months after the close of their fiscal year."

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Schedule of Audit Findings and Questioned Costs (continued)

June 30, 2017

2017-001 Closing of Books (continued)

Cause of Condition: The Agency did not have all accruals and other closing entries posted within two months after the close of the fiscal year.

Effect: The Agency is not in compliance with State law concerning their accounting records.

Recommendation: The Agency should make every effort to streamline the year-end closing procedures in order to comply with State law.

Views of Responsible Officials and Planned Corrective Actions: We concur. Due to extenuating circumstance there was a slight delay in book closings. We will streamline the year-end closing procedures and ensure the closings are completed in compliance with State law.

2017-002 Head Start Fundraising Funds Theft Over \$100

Condition: The Agency experienced a theft of Head Start Program fundraising cash in excess of \$100, held at the Head Start school.

Criteria: The Tennessee Comptroller requires that situations involving cash shortages and other thefts over \$100, be reported.

Cause of Condition: The Agency experienced a theft of Head Start Program fundraising cash held at the Head Start school.

Effect: The Agency is required to report any cash shortage or other theft over \$100.

Recommendation: The Agency should make every effort to recover funds lost due to a theft, and prevent future losses.

Views of Responsible Officials and Planned Corrective Actions: We concur. Internal controls have been enhanced to ensure all cash is properly safeguarded. Additional cameras were installed to monitor all areas of the facility. No cash will remain on the property for an extended period of time.

C - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

2017-003 Accurate Payroll Records

Condition: We performed a sample of payroll disbursements made to employees. 1 disbursement was supported by timesheets that appeared to record time by the employee on a percentage basis between programs instead of actual time worked on each program.

Criteria: Cost principles for salaries in 2 CFR section 200.430 (i)(1) specifies the standards for documentation of personnel expenses including that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. Controls should be designed to provide reasonable assurance that services charged to Federal awards are in accordance with the applicable cost principles.

Cause of Condition: Some employees appear to use a budgetary basis to allocate their time instead of an after the fact reflection of actual time worked on a particular activity.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Schedule of Audit Findings and Questioned Costs (continued)

June 30, 2017

2017-003 Accurate Payroll Records (continued)

Context: A sample of 60 disbursements was selected from a population of 11,492. 1 disbursement in the sample was found to not be in compliance. This compliance finding would only apply to employees that work on more than one federal award, a federal award and a non-Federal award, an indirect cost activity and a direct cost activity, or two or more indirect activities which are allocated using different allocation bases, or an unallowable activity and a direct or indirect cost activity. Six of the major programs had salaries reimbursed under the grant.

Effect: The Agency is not in compliance with the Cost Principles outlined in 2 CFR section 200 of the Uniform Guidance. Failure to adequately follow cost principles established in 2 CFR section 200 of the Uniform Guidance could result in forfeiture or reduction of federal funds awarded.

Recommendation: The Agency should design internal controls to ensure that costs charged to Federal programs only include charges for an employee's time actually worked on a particular activity. In addition, the Agency should require employees whose time is charged to more than one federal award, a federal award and a non-federal award, or an indirect cost activity and a direct cost activity to keep accurate records of their actual time worked on each program or activity in order to charge each grant the correct amount of costs.

Views of Responsible Officials and Planned Corrective Actions: We concur. The finding has been resolved. On October 16, 2016, all employees began reporting actual time when completing time sheets.

UPPER CUMBERLAND HUMAN RESOURCE AGENCY

Schedule of Prior Year Audit Findings and Questioned Costs

June 30, 2017

FINDINGS – FINANCIAL STATEMENTS AUDIT

2016-001 – Cash Reconciliations

Current Status: Resolved

2016-002 – Accurate Payroll Records

Current Status: The finding was repeated. See finding 2017-003.

uchra

Upper Cumberland
Human Resource Agency

Corrective Action Plan

The Upper Cumberland Human Resource Agency respectfully submits the following corrective action plan for the year ended June 30, 2017.

Cognizant agency:
Department of Health and Human Services

Name and address of independent public accounting firm:

Jobe, Hastings & Associates
745 South Church Street, Suite 105
Murfreesboro, Tennessee 37130

Audit Period:

June 30, 2017

The findings from the June 30, 2017, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

2017-001 Closing of Books

Recommendation: The Agency should make every effort to streamline the year-end closing procedures in order to comply with State law.

Corrective Action: We concur. Due to extenuating circumstance there was a slight delay in book closings. We will streamline the year-end closing procedures and ensure the closings are completed in compliance with State law.

2017-002 Head Start Fundraising Funds Theft Over \$100

Recommendation: The Agency should make every effort to recover funds lost due to a theft, and prevent future losses.

Corrective Action: We concur. Internal controls have been enhanced to ensure all cash is properly safeguarded. Additional cameras were installed to monitor all areas of the facility. No cash will remain on the property for an extended period of time.

2017-003 Accurate Payroll Records

Recommendation: The Agency should design internal controls to ensure that costs charged to Federal programs only include charges for an employee's time actually worked on a particular activity. In addition, the Agency should require employees whose time is charged to more than one federal award, a federal award and a non-federal award, or an indirect cost activity and a direct cost activity to keep accurate records of their actual time worked on each program or activity in order to charge each grant the correct amount of costs.

Corrective Action: We concur. The finding has been resolved. On October 16, 2016, all employees began reporting actual time when completing time sheets.

Respectfully submitted,


James Starnes
Deputy Director

Delivering Hope